GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:2703
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Trade Deficit with China
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Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether India"s trade deficit with China has hit $45 billion with bilateral trade remaining far below the ambitious $ 100 billion mark set for 2015 by two countries;

(b) if so, the details thereof and the reasons therefor;

(c) the corrective steps taken by the Government to reduce the trade deficit with China; and

(d) the other steps taken/being taken by the Government to reduce overall trade deficit by boosting exports of the country?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (INDEPENDENT CHARGE)
(SMT. NIRMALA SITHARAMAN)

(a) & (b): India's trade deficit with China stood at US$ 51.86 billion with bilateral trade of US$ 71.22 billion in 2015. During this period, India's export to China was US$ 9.68 billion while imports from China stood at US$ 61.54 billion (Source: DGCI&S).
Increasing trade deficit with China can primarily be attributed to the fact that Chinese exports to India rely strongly on manufactured items meeting the demand of fast expanding sectors like telecom and power while India's exports to China are characterized by primary products, raw material and intermediate products. Other major imports are of products such as computer hardware and peripherals, bulk drugs and drug intermediates, project goods, fertilizers and chemicals, consumer electronics, iron and steel and products thereof etc. These imports feed the growing demand in India for such goods which China, due to variety of reasons, is able to export to India at competitive prices.

(c): Ministry of Commerce of the People"s Republic of China and Ministry of Commerce & Industry of the Republic of India jointly developed and signed in September 2014 the Five-Year Development Program for Economic and Trade Cooperation in order to lay down a medium term roadmap for promoting balanced and sustainable development of economic and trade relations between China and India, on the principle of equality and mutual benefit.

The Five Year Program recognizes "that trade deficit with China is a matter of high concern for India. Against this background and in the spirit of mutual benefit, India and China shall endeavour to strengthen cooperation and gradually achieve bilateral trade balance over the next 5 years. India and China shall further endeavour to increase bilateral trade in services particularly Information Technology (IT) & Information Technology Enabled Services (ITES) in the next 5 years."

(d): Efforts are being made to increaseoverall exports by diversifying the trade basket with emphasis on manufactured goods, services, resolution of market access issues and other non-tariff barriers. This is done through bilateral meetings and institutional dialogues. Indian exporters are encouraged to participate in major trade fairs in China and other countries to show-case Indian products.

The Government has also taken various measures to extend support to exporters which are indicated below:

i. The New Foreign Trade Policy (2015-20) was announced on 1st April, 2015 with a focus on supporting both manufacturing and services exports and improving the 'Ease of Doing
Business'. The FTP introduced two new schemes, namely, 'Merchandise Exports from India
Scheme' (MEIS) for incentivising export of specified goods to specified markets and 'Service
Exports from India Scheme' (SEIS) for promoting export of notified services from India, by
consolidating earlier schemes.

ii. In the light of the major challenges being faced by Indian exporters in the backdrop of the
global economic slowdown, the envisaged revenue outgo under MEIS was increased from Rs. 18000 Crore to Rs. 21000 Crore in October 2015 with accompanying enhancement in benefits on certain products and inclusion of certain additional items.

iii. By way of trade facilitation and enhancing the ease of doing business Government has reduced the number of mandatory documents required for exports and imports.The trade community can file applications online for various trade related schemes.

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